

community colleges be explored and implemented when viable, so that these programs can be relied upon as one of the requisite steps toward fulfilling undergraduate educational requirements. Further, the Committee recommends that auditing firms and educational institutions at all levels support and cooperate in building strong fundamental academic accounting programs at community colleges, including providing internships or financial support for students who begin their studies in two-year programs and may be seeking careers in the auditing profession. The Committee also recommends that auditing firms and four-year colleges and universities and their faculty focus on outreach to community college students in order to support students' transition from community colleges to four-year educational institutions.

(c) Emphasize the utility and effectiveness of cross-sabbaticals and internships with faculty and students at Historically Black Colleges and Universities.

As discussed above, African Americans are significantly under-represented in the auditing profession.

The Committee recommends encouraging a concerted effort to increase the focus upon HBCUs in order to raise the number of African Americans in the auditing profession and urging the HBCUs, auditing firms, corporations, federal and state governments, and other entities to emphasize the use of cross-sabbaticals. Cross-sabbaticals are interactive relationships where faculty and seasoned professionals are regularly represented in the practice and academic environments through exchanges. Evidence suggests that such exchanges can be beneficial, and continued development of such exchanges is expected to provide substantial benefits for all parties.⁴⁵ Cross-sabbaticals present an opportunity for "reflective thinking" for seasoned professionals.⁴⁶

In addition, the Committee recommends that the over fifty HBCUs with accounting

programs require one member of their accounting faculty annually to participate in a cross-sabbatical with a private or public sector entity. The Committee also recommends that the private and public sector entities provide these opportunities, as well as focus on other arrangements to build relationships at these educational institutions.

The Committee received testimony regarding the lack of minority mentors and role models⁴⁷ and notes that the profession has recognized this situation.⁴⁸ Thus, the Committee also recommends that public company auditing firms intensify their efforts to create internships and mentoring programs for students in accounting and other complementary disciplines, including those from HBCUs and community colleges, as a means to increase the awareness of the accounting profession and its attractiveness among minority students.

(d) Increase the numbers of minority accounting doctorates through focused efforts.

Some dedicated programs have succeeded in attracting minorities to enter and complete accounting doctoral studies.⁴⁹ In particular, the PhD Project, an effort of the KPMG Foundation, has worked to increase the diversity of business school faculty.⁵⁰ The PhD Project focuses on attracting minorities to business doctoral programs, and provides a network of peer support. Since the PhD Project's establishment in 1994, the number of minority professors at U.S. business schools has increased from 294 to 889.⁵¹

⁴⁷ See Record of Proceedings (Feb. 4, 2008) (Written Submission of Gilbert R. Vasquez, Managing Partner, Vasquez & Company LLP, 4), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/02042008/Vasquez02042008.pdf> (highlighting the lack of Hispanic role models and mentors in the accounting profession).

⁴⁸ See Record of Proceedings (Dec. 3, 2007) (Questions for the Record of George S. Willie, Managing Partner, Bert Smith & Co., 2 (Jan. 30, 2008)), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/12032007/Willie120307.pdf> (recommending the establishment of a mentor program for minority accounting students); Record of Proceedings (July 12, 2006) (Written Testimony of Manuel Fernandez, National Managing Partner—Campus Recruiting, KPMG LLP, to the Subcommittee on Oversight and Investigations of the House Financial Services Committee, 5), available at <http://financialservices.house.gov/media/pdf/071206mf.pdf> (identifying the lack of minority faculty mentors and role models and noting "[w]hen students of color do not see professors of their own ethnic background on the accounting faculty, they are less apt to consider the option of a career in accountancy").

⁴⁹ For a list of educational support programs that auditing firms are sponsoring, see Record of Proceedings (Feb. 4, 2008) (Written Submission of Barry Salzberg, Chief Executive Officer, Deloitte LLP, Appendix A), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/02042008/Salzberg020408.pdf>.

⁵⁰ For further information on the PhD Project, see <http://www.phdproject.org/mission.html>.

⁵¹ Record of Proceedings (Feb. 4, 2008) (Written Submission of Barry Salzberg, Chief Executive Officer, Deloitte LLP, Appendix A), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/02042008/Salzberg020408.pdf>.

Ninety percent who enter the PhD Project earn their doctorates, and 99% of those who completed their doctorates go on to teach.⁵² The PhD Project has received over \$17.5 million⁵³ in funding since 1994 from corporations, foundations, universities, and other interested parties.⁵⁴

The Committee believes that programs such as these can successfully recruit minorities to accounting doctoral studies. The Committee recommends that auditing firms, corporations, and other interested parties advertise existing and successful efforts to increase the number of minority doctorates by developing further dedicated programs. Additionally, the Committee recommends that auditing firms, corporations, and other interested parties maintain and increase the funding of these programs.

Recommendation 3. Ensure a sufficiently robust supply of qualified accounting faculty to meet demand for the future and help prepare new entrants to the profession to perform high quality audits.

The Committee heard testimony from individuals regarding the need to have an adequate supply of faculty with the knowledge and experience to develop qualified professionals for the increasingly complex and global auditing profession.⁵⁵

The Committee recognizes that there is a high level of concern about the adequacy of both the near and the long-term supply of doctoral faculty, especially given the anticipated pace of faculty retirements. According to National Study of Postsecondary Faculty data, the number of

⁵² See Jane Porter, *Going to the Head of the Class: How the PhD Project is Helping to Boost the Number of Minority Professors in B-schools*, BUSINESS WEEK ONLINE, Dec. 27, 2006, available at http://www.businessweek.com/schools/content/dec2006/bs20061227_926455.htm.

⁵³ See Record of Proceedings (July 12, 2006) (Written Testimony of Manuel Fernandez, National Managing Partner—Campus Recruiting, KPMG LLP, to the Subcommittee on Oversight and Investigations of the House Financial Services Committee, 5), available at <http://financialservices.house.gov/media/pdf/071206mf.pdf>.

⁵⁴ For further information on the PhD Project, see http://www.phdproject.org/corp_sponsors.html.

⁵⁵ See, e.g., Record of Proceedings (Dec. 3, 2007) (Written Submission of David W. Leslie, Chancellor Professor of Education, College of William and Mary), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/12032007/Leslie120307.pdf> (noting a 13.3% decline in accounting faculty from 1988 to 2004); Record of Proceedings (Feb. 4, 2008) (Written Submission of Edward E. Nusbaum, Chief Executive Officer, Grant Thornton LLP, and Chairman, Grant Thornton International Board of Governors, 5), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/02042008/Nusbaum020408.pdf> (stating that "recent years have seen a reduction in accounting faculty, based on a wave of retirements and lack of accounting PhDs coming into the system."); Record of Proceedings (Dec. 3, 2007) (Written Submission of Ira Solomon, R.C. Evans Distinguished Professor, and Head, Department of Accountancy, University of Illinois, 4), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/12032007/Solomon120307.pdf> (stating that "the number of persons entering accountancy doctoral programs is too low to sustain the accountancy professoriate.").

⁴⁵ See Record of Proceedings (Feb. 4, 2008) (Written Submission of Cynthia Fornelli, Executive Director, Center for Audit Quality, 2), available at <http://www.treas.gov/offices/domestic-finance/acap/submissions/02042008/Fornelli020408.pdf> (recommending encouraging sabbaticals, internships, and fellowship opportunities, structured to give faculty opportunities to conduct research for promotion and tenure); Record of Proceedings (Feb. 4, 2008) (Oral Remarks of Phillip M.J. Reckers, Professor of Accountancy, Arizona State University, 68), available at <http://www.treas.gov/offices/domestic-finance/acap/agendas/minutes-2-4-08.pdf> (stating that sabbaticals deliver professors "a wealth of knowledge they could bring back in the classroom").

⁴⁶ See Record of Proceedings (Mar. 13, 2008) (Oral Remarks of H. Rodgin Cohen, Chairman, Sullivan & Cromwell LLP, 69), available at <http://www.treas.gov/offices/domestic-finance/acap/agendas/minutes-03-13-08.pdf> (noting that spending time in the classroom should "give the [practicing accountant] the time to do the reflective thinking."); Record of Proceedings (Mar. 13, 2008) (Oral Remarks of Zoe-Vonna Palmrose, Deputy Chief Accountant, SEC), available at <http://www.treas.gov/offices/domestic-finance/acap/agendas/minutes-03-13-08.pdf> (commenting that sabbaticals provide the "opportunity for reflective thinking").